

## **FEDERAL RESERVE SYSTEM**

### **Agency information collection activities: Announcement of Board approval under delegated authority and submission to OMB**

#### **SUMMARY**

##### **Background**

Notice is hereby given of the final approval of proposed information collections by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the OMB 83-Is and supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

#### **FOR FURTHER INFORMATION CONTACT:**

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#### **Final approval under OMB delegated authority of the extension for three years, with revision, of the following reports:**

**1. *Report title:*** Reports of Foreign Banking Organizations

*Agency form numbers:* FR Y-7, FR Y-7N, FR Y-7NS, and FR Y-7Q

*OMB control number:* 7100-0125

*Frequency:* Quarterly and annually

*Reporters:* Foreign banking organizations (FBOs)

*Annual reporting hours:* 5,330 hours

*Estimated average hours per response:*

FR Y-7: 3.25 hours,

FR Y-7N (quarterly): 6 hours,

FR Y-7N (annual): 6 hours,

FR Y-7NS: 1 hour,  
FR Y-7Q (annual): 1 hour,  
FR Y-7Q (quarterly): 1.25 hours

*Number of respondents:*

FR Y-7: 327,  
FR Y-7N (quarterly): 129,  
FR Y-7N (annual): 96,  
FR Y-7NS: 164,  
FR Y-7Q (annual): 301,  
FR Y-7Q (quarterly): 26

Small businesses are affected.

*General description of report:* This information collection is mandatory (12 U.S.C. §§601-604a, 611-631, 1844(c), 3106, and 3108(a)). Confidential treatment is not routinely given to the data in these reports. However, the FR Y-7Q data will be held confidential until 120 days after the as-of date. Also, confidential treatment for information, in whole or in part, on any of the reporting forms can be requested in accordance with the instructions to the form, pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)].

*Abstract:* The FR Y-7 is an annual report filed by all FBOs that engage in banking in the United States, either directly or indirectly, to update their financial and organizational information. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

*Current actions:* On August 19, 2002, the Federal Reserve published a notice soliciting comments for 60 days on proposed revisions to the FR Y-7, Reports of Foreign Banking Organizations (67 FR 53797). The notice described the Federal Reserve proposal to (1) streamline the existing nonbank subsidiary reporting framework for all non-functionally regulated nonbank subsidiaries, (2) add a new report for collecting capital and asset information from FBOs (FR Y-7Q), and (3) revise the Annual Report of FBOs, FR Y-7, to update the reporting form for recent changes to Regulation K and delete items that were no longer needed. The Federal Reserve Board has approved the proposed changes, with the modifications discussed below, effective for the December 31, 2002, as-of date.

The Board received comment letters from three FBOs and three trade groups representing FBOs on this proposal. Most commenters supported the Board's efforts to streamline the reports and reduce reporting burden. Other substantive comments addressed the reporting dates and timing of submissions, the implementation date, and confidentiality for all the reports; consolidation and thresholds for the nonbank reports (FR Y-7N and 7NS); and top-tier reporting for capital and asset information and reporting of total assets (FR Y-7Q).

### *Reporting dates and timing of submissions*

On the FR Y-7Q, FBOs that are financial holding companies (FHCs) must report capital and asset information quarterly and all other FBOs must report this information annually. Several commenters pointed out that some FHC FBOs do not provide quarterly capital and asset information even to their home country supervisors, and requested that capital information be collected on a basis consistent with home country reporting. Quarterly reporting will assist Federal Reserve supervisors in their evaluation of foreign bank FHC capital under the comparability requirements in the Gramm-Leach-Bliley Act. Also, quarterly reporting is appropriate for consistency with the reporting frequency for U.S. banking organizations. Therefore, the Federal Reserve maintains that quarterly reporting for FHC FBOs is appropriate. A commenter also suggested that FBOs be allowed to provide this information according to their fiscal year. As stated in the initial proposal, FBOs may report these data according to their fiscal year, but will provide these data on a calendar-year basis and note the as-of date on the form.

A commenter requested that more time be given for submitting the FR Y-7Q, regardless of frequency. Since many FBOs do not produce capital and asset information for their home country supervisors or the public as quickly as 60 days after the as-of date, the Federal Reserve will allow all FR Y-7Q reporters to submit their data up to 90 days after the as-of date. Some commenters also noted that the Federal Reserve proposed in 2000 to require risk-based capital data within 90 days, yet decided to keep the 120-day deadline. At that time, the Federal Reserve recognized that 120 days were sometimes needed to compile the different kinds of information required for the FR Y-7. Because such information is now being collected in separate forms, the timetables for filing have been tailored more appropriately to the types of information sought.

Some commenters expressed concern about the opportunity for extensions to file the FR Y-7Q. Cases in which home country practices do not allow for reporting within 90 days might justify an extension, but only after consultation with Federal Reserve staff. Given the changes to submission dates suggested above, few extensions are expected to be granted after the initial implementation period.

The FR Y-7N collects data on FBOs' nonbank subsidiaries not held through a U.S. holding company (formerly the NFIS report). A few commenters addressed the fact that some current NFIS reporters provide data on their U.S. nonbank subsidiaries according to the home country fiscal year, which is not on a calendar-year basis. Since these nonbank subsidiaries are separately capitalized entities operating within the United States, the Federal Reserve maintains that they should report on a calendar-year basis for consistency with other U.S. nonbank subsidiaries. Also, U.S. branches and agencies of FBOs (which are not separately capitalized entities) are currently required to report quarterly on a calendar-year basis.

Some commenters on the FR Y-7N requested that the quarterly filing requirement for "significant" nonbank subsidiaries (i.e., those with sizeable asset or off-balance-sheet positions) be eliminated because of burden arising from quarterly reconciliation with

parent financial statements. However, the quarterly reporting requirement for significant nonbank subsidiaries was developed *specifically* to improve supervisory assessment of significant nonbank subsidiaries, because these significant nonbank subsidiaries have greater potential than other subsidiaries to pose risks to the FBO's other U.S. operations or the parent organization. As noted above, most FBOs already provide quarterly data on their branches and agencies, which requires reconciliation with financial statements of the parent organization. Therefore, quarterly data for significant nonbank subsidiaries will be collected. Finally, a commenter suggested that the threshold for quarterly reporting be determined annually, not quarterly. The Federal Reserve decided to maintain the quarterly threshold assessment since this is consistent with the assessment method for other quarterly regulatory reports.

Several commenters also requested that FR Y-7N filers be given more than 60 days after the as-of date to submit the report. The commenters also pointed out that the filing deadline for the FR Y-7, which contains consolidated financial statements remains at 120 days. The submission deadline for both annual and quarterly reporting on the FR Y-7N will be extended to 75 days for an implementation period to allow respondents time to alter their systems. However, by March 2004, the submission deadline will be scaled back to 60 days (consistent with FR Y-11 and FR 2314 reports). The Federal Reserve decided to retain the 120-day submission deadline for consolidated financial statements on the FR Y-7, since information on that report is required from the entire consolidated entity, which may have subsidiaries in various countries. The FR Y-7N collects data for individual U.S. subsidiaries, which should be available more quickly.

#### *Implementation date*

Several commenters stated that implementation of the new reporting framework for the FR Y-7Q and the FR Y-7N starting with year-end 2002 would be particularly difficult, especially given the submission deadlines in the original proposal. In order to facilitate the transition to the new reporting requirements for the FR Y-7Q and the FR Y-7N, respondents will be given 180 days to report year-end 2002 data.<sup>1</sup> In addition, the requirement for any quarterly reporting as of March 31, 2002, will be waived. This one-time delayed implementation should allow respondents time to adjust to the new framework. Quarterly reporting will commence June 30, 2003.

#### *Confidentiality*

Several commenters addressed the lack of automatic confidential treatment of capital and asset information on the FR Y-7Q. The FBOs were concerned about having capital and asset information available before their public financial statements were released. Therefore, all FR Y-7Q data will be held confidential for 120 days after the as-of date, since these data are usually provided to the public by FBOs before that time. The 120-day confidentiality period will not preclude applicants from requesting from the Board

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<sup>1</sup> Note that respondents who file for a fiscal year-end of October 31, 2002 under the current NFIS reporting requirements will only have to file once, i.e., as of December 31, 2002.

confidentiality beyond that period, in whole or in part, on a case-by-case basis, if justified by the respondent.

There were also requests that confidential status be applied to FR Y-7N reports. However, FR Y-7N respondents will not automatically be accorded confidential treatment. This is consistent with the current treatment of other domestic nonbank reports. The Board may grant confidentiality treatment for the reporting information on the FR Y-7N, in whole or in part, on a case-by-case basis, if justified by the respondent.

#### *Consolidation (FR Y-7N and FR Y-7NS)*

Several commenters strongly suggested that consolidated reporting of nonbank subsidiaries still be allowed for the FR Y-7N and FR Y-7NS. Legal entity data allows supervisors to identify issues more efficiently and effectively, and consolidated data is not as useful because filers consolidate reports inconsistently. Therefore, the Federal Reserve maintains that these respondents must file on a legal entity basis. As discussed in the following paragraph, however, the exemption of small or less significant respondents should offset burden since a large number of previously consolidated entities may meet the exemption criteria.

#### *Threshold for nonbank reports (FR Y-7N and FR Y-7NS)*

The commenters correctly pointed out that the reporting threshold for the abbreviated FR Y-7NS was actually *lowered* in the proposal, from the existing threshold of \$150 million in total assets for NFIS reporters to \$100 million in total assets for proposed FR Y-7NS reporters. All else equal, this would create unintended additional burden for proposed FR Y-7NS reporters. Therefore, the proposed threshold for abbreviated reporting will be raised from the amount initially proposed (\$100 million) to \$250 million. In addition, there was a request to raise the threshold for nonbank subsidiaries that are exempt from reporting altogether. This threshold will be raised from the proposed \$20 million in total assets to \$50 million.

#### *Top-tier reporting for capital and asset information (FR Y-7Q)*

Several commenters expressed concern that for capital and asset reporting on the FR Y-7Q, some top-tier FBOs might have to file data for U.S. regulatory reports when they do not submit capital and asset data to their home country supervisor. Reporting requirements for capital and asset information placed on top-tier entities will generally mirror those of the home country supervisors. For clarification, the instructions will include examples of cases in which top-tier filers would be exempt. In those limited instances where home country reporting would not be required, filers should consult with the appropriate Federal Reserve Bank regarding specific reporting requirements for the top-tier entity.

### *Total assets (FR Y-7Q)*

A trade group representing foreign banks requested that the item for total assets be removed or separately linked to the frequency with which the reporting bank reports its total assets to its home country supervisor. The commenter stated that it would not be feasible for some banks to report this figure on a quarterly basis without significant changes to their internal financial reporting systems. Information on total assets is required as part of the FHC declaration and therefore ongoing periodic collection of this information is consistent with the regulatory framework. As noted above, requiring such information to be provided on a quarterly basis is consistent with the requirements imposed on U.S. banking organizations and helpful in monitoring comparability requirements. Therefore, this item will be collected.

## **2. Report title:** Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies

*Agency form number:* FR Y-11 and FR Y-11S (formerly FR Y-11Q and FR Y-11I)

*OMB control number:* 7100-0244

*Frequency:* Quarterly and annually

*Reporters:* Bank holding companies (BHCs)

*Annual reporting hours:* 22,134 hours

*Estimated average hours per response:*

FR Y-11 (quarterly): 6 hours,

FR Y-11 (annual): 6 hours,

FR Y-11S (annual): 1 hour

*Number of respondents:*

FR Y-11 (quarterly): 843,

FR Y-11 (annual): 239,

FR Y-11S (annual): 468

Small businesses are affected.

*General description of report:* This information collection is mandatory (12 U.S.C. §§1844(b) and (c) and 12 CFR 225.5(b)). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)].

*Abstract:* The FR Y-11 reports collect information that helps supervisory staff determine the condition of bank holding companies (BHC) that are engaged in nonbanking activities and helps monitor the volume, nature, and condition of their nonbanking subsidiaries.

Financial information on nonbank subsidiaries is essential for monitoring their potential impact on the BHC's condition. The report collects information on assets, income, equity capital, and off-balance-sheet items.

*Current actions:* On August 19, 2002, the Federal Reserve published a notice soliciting comments for 60 days on proposed revisions to the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies, FR Y-11 series (67 FR 53797). The notice described the Federal Reserve proposal to streamline the existing reporting framework for all non-functionally-regulated<sup>2</sup> nonbank subsidiaries. The revised framework would both provide essential information to supervise and regulate non-functionally-regulated subsidiaries and reduce the burden on the industry. The proposed revisions included:

- 1) Implementing a uniform and streamlined reporting form for all nonbank subsidiary filers;
- 2) Reducing the burden by increasing or establishing consistent filing thresholds for all nonbank subsidiary filers;
- 3) Establishing filing thresholds for reporters, consistent with risk-focused supervision, based on asset size and off-balance-sheet activity (absolute measures), plus operating revenues and equity capital (relative measures);
- 4) Not allowing consolidation among filers; and
- 5) Eliminating reporting for the smallest filers.

The Federal Reserve Board has approved the proposed changes, with the modifications discussed below, effective for the December 31, 2002, as-of date. The Federal Reserve received comment letters from two banking organizations. Both commenters supported the Board's effort to streamline the reporting requirements, create more consistency among all nonbank subsidiary filers, and reduce burden.

Both commenters suggested that the Board permit nonbank subsidiaries to file consolidated or combined reports for entities engaged in similar activities. Currently, the nonbank subsidiaries of U.S. BHCs (FR Y-11 respondents) are required to file on a legal entity basis. Legal entity data allows supervisors to identify issues more efficiently and effectively, and consolidated data is not as useful because filers consolidate reports inconsistently. Therefore, the Federal Reserve maintains that these respondents must file on a legal entity basis. However, the initially proposed thresholds will be raised to reduce burden. Specifically, the threshold for abbreviated reporting will be raised from \$100 million in total assets to \$250 million and the exemption level (i.e., below which no report is required) will be raised from \$20 million to \$50 million. This is consistent with the new FR Y-7NS thresholds discussed above.

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<sup>2</sup> As distinguished from the term "functionally regulated" nonbank subsidiaries, which are entities in which the primary regulator is an organization other than the Federal Reserve, namely the Securities and Exchange Commission, Commodity Futures Trading Commission, state insurance commissioners, or state securities departments. Provisions of the Gramm-Leach-Bliley Act direct that the Federal Reserve must first rely on reports and information provided by the primary regulator for functionally regulated subsidiaries.

One commenter suggested that the FR Y-11 include a separate line item for federal funds sold. The Federal Reserve does not plan to collect a separate item for federal funds because the amount being reported was not substantial enough to warrant a separate item.

**3. *Report title:*** Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations

*Agency form number:* FR 2314 and FR 2314S (formerly FR 2314a, b, and c)

*OMB control number:* 7100-0073

*Frequency:* Quarterly and annually

*Reporters:* Foreign subsidiaries of U.S. state member banks, bank holding companies, and Edge or agreement corporations

*Annual reporting hours:* 4,006 hours

*Estimated average hours per response:*

FR Y-2314 (quarterly): 6 hours,  
FR Y-2314 (annual): 6 hours,  
FR Y-2314S (annual): 1 hour

*Number of respondents:*

FR Y-2314 (quarterly): 123,  
FR Y-2314 (annual): 128,  
FR Y-2314S (annual): 537

Small businesses are not affected.

*General description of report:* This information collection is mandatory (12 U.S.C. §§324, 602, 625, and 1844). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)].

*Abstract:* The FR 2314 reports are collected from U.S. member banks, Edge and agreement corporations, and BHCs for their direct or indirect foreign subsidiaries. The FR 2314 reports collect information on assets, income, equity capital, and off-balance sheet items and the data are used to monitor the growth, profitability, and activities of these foreign companies.



*Current actions:* On August 19, 2002, the Federal Reserve published a notice soliciting comments for 60 days on proposed revisions to the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations, FR 2314 reports (67 FR 53797). The notice described the Federal Reserve proposal to streamline the existing reporting framework for all non-functionally-regulated nonbank subsidiaries. The revised framework will both provide essential information to supervise and regulate non-functionally-regulated subsidiaries and reduce the burden on the industry as discussed for the FR Y-11 reports above.

The Federal Reserve Board has approved the proposed changes, with the modifications discussed below, effective for the December 31, 2002, as-of date. The Federal Reserve received comment letters from two banking organizations. Both commenters supported the Board's effort to streamline the reporting requirements, create more consistency among all nonbank subsidiary filers, and reduce burden. They also provided other substantive comments that addressed consolidation and confidentiality, as discussed below.

#### *Consolidation*

Both commenters suggested that the Board permit nonbank subsidiaries to file consolidated or combined reports for entities engaged in similar activities and or located in the same country. In a change from current FR 2314 reporting requirements, the Federal Reserve proposed that foreign nonbank subsidiaries of U.S. banking organizations (FR 2314 respondents) no longer be permitted to file consolidated reports. One commenter stated that precluding consolidation of FR 2314 respondents would increase burden. The same commenter indicated that a significant portion of the burden associated with filing legal entity based reports is due to the adjustments to switch financial statements from the accounting principles of their local country to U.S. generally accepted accounting principles (GAAP). The commenter indicted that, under the current consolidated reporting framework, reports based on local country accounting principles could be first consolidated and then converted to U.S. GAAP.

Legal entity data allows supervisors to identify issues more efficiently and effectively, and consolidated data is not as useful because filers consolidate reports inconsistently. Therefore, the Federal Reserve maintains that these respondents must file on a legal entity basis. To further reduce burden, FR 2314 respondents filing reports on a legal-entity basis *will not be required* to follow U.S. GAAP, as initially proposed. Respondents will be encouraged to follow U.S. GAAP but will continue to have the option to file reports based on local country accounting principles. Also, FR 2314 respondents that currently consolidate data will be permitted to report on a consolidated basis for December 2002 and March 2003 reporting periods to allow time to adjust their systems.

In addition, the initially proposed thresholds will be raised to reduce burden. Specifically, the threshold for abbreviated reporting will be raised from \$100 million in total assets to \$250 million and the exemption level (i.e., below which no report is

required) will be raised from \$20 million in total assets to \$50 million. This is consistent with the new FR Y-11S and FR Y-7NS thresholds discussed above.

#### *Confidentiality*

One commenter suggested that the FR 2314 reports remain confidential, citing that disclosure of this information would likely be harmful to the competitive position of the reporting entities. As initially proposed, the FR 2314 respondents will no longer be accorded confidential treatment. Eliminating confidential treatment for the FR 2314 respondents is consistent with the goals of the Federal Reserve to increase public availability of regulatory reports, enhancing data transparency and market discipline. However, the Federal Reserve may grant confidential treatment, in whole or part, on a case-by-case basis if requested and justified by the respondent.

#### *Other Comments*

One commenter suggested that the Federal Reserve allow electronic filing of the FR 2314. The Federal Reserve is investigating ways to allow the electronic submission of the FR 2314 at some point in the future and will notify respondents when this option becomes available.

Board of Governors of the Federal Reserve System, ....., 2002

Jennifer J. Johnson  
Secretary of the Board.

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